

M E M O R A N D U M

TO: Gloria Blue (email FR0001@ustr.gov)

FROM: Rick Rotter/Steve Cucich - Kopo International

DATE: January 22, 2002

SUBJECT: Clarification of Exemptions Regarding Section 201

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We (Kopo), would like to clarify the specific stainless and alloy special bar quality, round bars, for which we are asking to be exempt from any remedy in Section 201 or 203.

*The particular products are:*

- 1) Stainless Cold Finished Rounds in the grades 17-4 H1150, 17-4 DH1150, 410 QDT, 410 ANN, 416 ANN, 416 Q&T, 420 ANN, 440C ANN
- 2) Alloy special bar quality rounds in 4150 Calcium Aluminum treated, Lamellar annealed, 4340 Calcium Aluminum treated annealed

*Reasons for exemptions:*

- 1) Domestic mills cannot produce 410 QDT, 17-4 H1150 and 17-4 DH1150 to meet the oil field specifications required. The specifications require oil quench and domestic mills only use synthetic quench.
- 2) 420 ANN, 410 ANN and 440C ANN are not produced by domestic mills unless there is an accumulation of 65 to 100 tons of orders per grade. Distributors need to order more frequently, smaller quantities and accumulating for a domestic production run will make the distributors lose orders.
- 3) 416 ANN, 416 Q&T, 420 ANN;

These grades are only produced up to 2 ½" dia domestically and US customers would have no domestic supply to meet their requirements over 2 ½" dia.

- 4) 4150, 4340, calcium aluminum treated lamellar annealed, cold finished, special bar quality is not produced domestically, therefore, the water pump and oil pump industry would not be able to get a major portion of their steel requirement.
- 5) Without exemptions on the above grades, the domestic producers would not have the capacity to meet the stainless market consumption and there would be a large shortfall to US manufacturers and distributors. Kopo, as a US company, has developed our master distributor business because domestic producers couldn't or wouldn't produce certain grades. Our US customers would be drastically compromised in their ability to service

the US end users if they were unable to purchase specific products.

Thus, for the afore-mentioned reasons, we feel the specific products outlined should be exempt from additional Tarriffs or volume constraints.